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## CENTRAL INTELLIGENCE AGENCY

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## THIS IS UNEVALUATED INFORMATION

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- Price levels, which had for long been steady, began to fluctuate in July-August and then rose until October, when they began to drop again. The difference between July and October prices varied between 10 and 30 percent in different places. After the October break, prices sank by mid-December to 10 percent above the July level. 50X1-HUM
- 2. The reasons for the rise in prices were:
  - Flooding of the West Liao River causing the arrival of refugee peasants in towns.
  - b. Disruption of transport, which interfered with grain supplies.
  - c. Hoarding of supplies by merchants.
  - d. Increased military transport activity, bringing employment and large numbers of transit troops whose purchasing power, although individually small, upset the markets.
- 3. Grains were the first commodities to go up in prices. Next were textiles, and then metals and electrical equipment. Building materials were the last to be affected. Strangely enough, gold rose least of all, showing that public confidence in the currency was unshaken.
- 4. The inflationary pressure was fought by the following measures:
  - The armed forces, schools, factories, mines and all government organizations were forbidden to buy from private dealers. Instead they were made to register for essential supplies with the appropriate government trading organization and were then supplied, on a rigid system of priorities, at the original non-inflated prices.

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- b. Labour, vehicles and draught animals were mobilized to transport commodities between districts and secure an even distribution.
- c. Bank loans were stopped and stricter financial control of all firms was enforced.
- d. Propaganda for loans and donations was intensified.

The above measures caused a shortage of money, and private traders were afraid to hoard their goods. Prices therefore fell gradually.

- 5. The commodity position in Manchuria is halfway between abundance and shortage. Daily essentials are in good supply; only industrial raw materials are rather short. Expensive foreign luxury goods are no longer seen, but they have no place in the Communist way of life and they are no longer missed.

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- 6. Vehicles seem to be coming in steadily. All Chinese Army cars
  seen in Manchuria are new usually of Russian or Czech manufacture. The
  city of MUKDEN used to have charcoal-burning buses; but now two-thirds of
  them are new petrol buses.
- private firms in Manchuria enjoyed real prosperity, except in a few places where they were swamped by state-operated concerns.

  the Three and Five Anti's Campaigns seemed to herald an all-out effort to crush private business, and the owners of small firms are now very gloomy about their prospects.
- 8. A number of experimental collective farms are being run in northern Manchuria. They have received considerable publicity, and peasants' representatives have been visiting them to see what can be done in such farms under state management. The majority of these visitors go away unconvinced that the collective system is better than peasant ownership.

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